



American Gilsonite Company

Bonanza Minesite

HC 73 Box 28

Vernal Utah 84078-9284 • Phone (435) 789-1921 • Fax (435) 789-1956

~~8/04/04~~
AMEND INTO 11/04/010

January 10, 2000

Utah School and Trust Lands Administration
675 E. 500 S. Suite 500
Salt Lake City, Utah 84102-2818

Attn: William Stokes
Re: Mining Plan Lease ML-851

Dear Mr. Stokes,

Enclosed is the mining plan for Lease ML-851. We would like to start drilling the shaft early in 2000 in order to insure that we have some production in 2000 as required in the terms of the lease. We will have to drill the first 200 feet of shaft in rock and we will not be able to salvage any Gilsonite.

We still need to resolve the issue of mining where the vein goes off the lease for about 100 feet.

Yours truly,

A handwritten signature in black ink, appearing to read "N. Kunz", written over the typed name.

Neldon Kunz
Mine Supt.

CC: Anthony A Gallegos, Utah Division of Oil, Gas, and Mining

RECEIVED

JAN 12 2000

DIVISION OF OIL, GAS & MINING

Notice of Intent to conduct mineral Mining of Utah State lease ML-851

B. Mining Proposal

1. Names and Addresses

Lease holder and mining to be done by
American Gilsonite Company,
HC 73 Box 28
Vernal, Utah, 84078-9284
435-789-1921
Earl R. White- Vice President, Operations
Neldon Kunz- Mine Superintendent

2. Description of Mining Operation

- a. The mineral to be mined is Gilsonite. Estimated reserves are 30,000 tons. The estimated value at the mine is \$100/ton.
- b. The melt point of the Gilsonite ranges from 270 to 350 degrees F.
- c. Mining Method

Access into the mine will be through a vertical shaft. The first 200 feet will be drilled with a drill rig. The remainder of the shaft will be sunk in the vein. There will be a hoist and headframe at the surface. Also alternate escapeways are required. These will be located at each end of the property. They will be drilled holes with a hoist and headframe on each. The Gilsonite will be broken with pneumatic chipping hammers and by blasting with permissible explosives. The chipping hammers and drills necessary to drill for blasting will be powered by compressed air. A 150 horsepower compressor will be located near the hoist. The ore will be conveyed to surface in a negative pressure air conveying system. This system uses from 1 to 3 100 horsepower fans. The Gilsonite including dust is captured in a baghouse then dropped into a storage bin. From there it will be hauled via truck to the Gilsonite Processing Plant at Bonanza, Utah.

- d. The Gilsonite is located in a vertical vein. It will be mined from a series of open stopes 100 feet vertical by 600 feet horizontal, with 15-foot pillars left between them.
- e. The Gilsonite will be mined from 200 to 900 feet below the surface. In this zone the width ranges from 1.5 to 3.0 feet, which is the economically minable width. Both above and below this zone the vein width is too narrow to mine.
- f. Topsoil will not be removed. Construction of foundations and other facilities will be built on top of the soils. When these improvements are removed the soils can be plowed and the area seeded. The disturbed area will consist of 200 foot by 200 foot area for the main mine site (.92 acres), two 180 by 50 foot areas for escapeway shafts (.41 acres), and a 50 by 100 foot sediment pond (.11 acres). No new roads will be required although the existing roads will be graded. The total disturbed acreage will be 1.44 acre.
- g. The Gilsonite is hauled via truck to the processing plant. These trucks are weighed on certified scales prior to delivery to the plant. In the plant the Gilsonite is screened, dried, mixed with other Gilsonite and bagged for shipment. The Gilsonite from various mines must be mixed together in order to meet various quality specifications. Some of the Gilsonite is stockpiled before it is used in the plant.
- h. When mining is completed the mineshafts will be covered with a reinforced concrete cap. All buildings, equipment, foundations, and any other improvements will be removed. All disturbed areas will be graded and seeded with seed mixes approved by SITLA and DOGM.
- i. Timetable-The first 200 feet of shaft will be an 84 inch drilled hole. Drilling is expected to start in May 2000 in order to have some production before the end of 2000 per SITLA requirements. Mining is expected to proceed at a rate of 200 to 500 tons per month as needed to fill sales for 5 to 10 years until all economically recoverable ore is removed. At the completion of mining reclamation will start immediately and is expected to take from 2-3 years to complete.

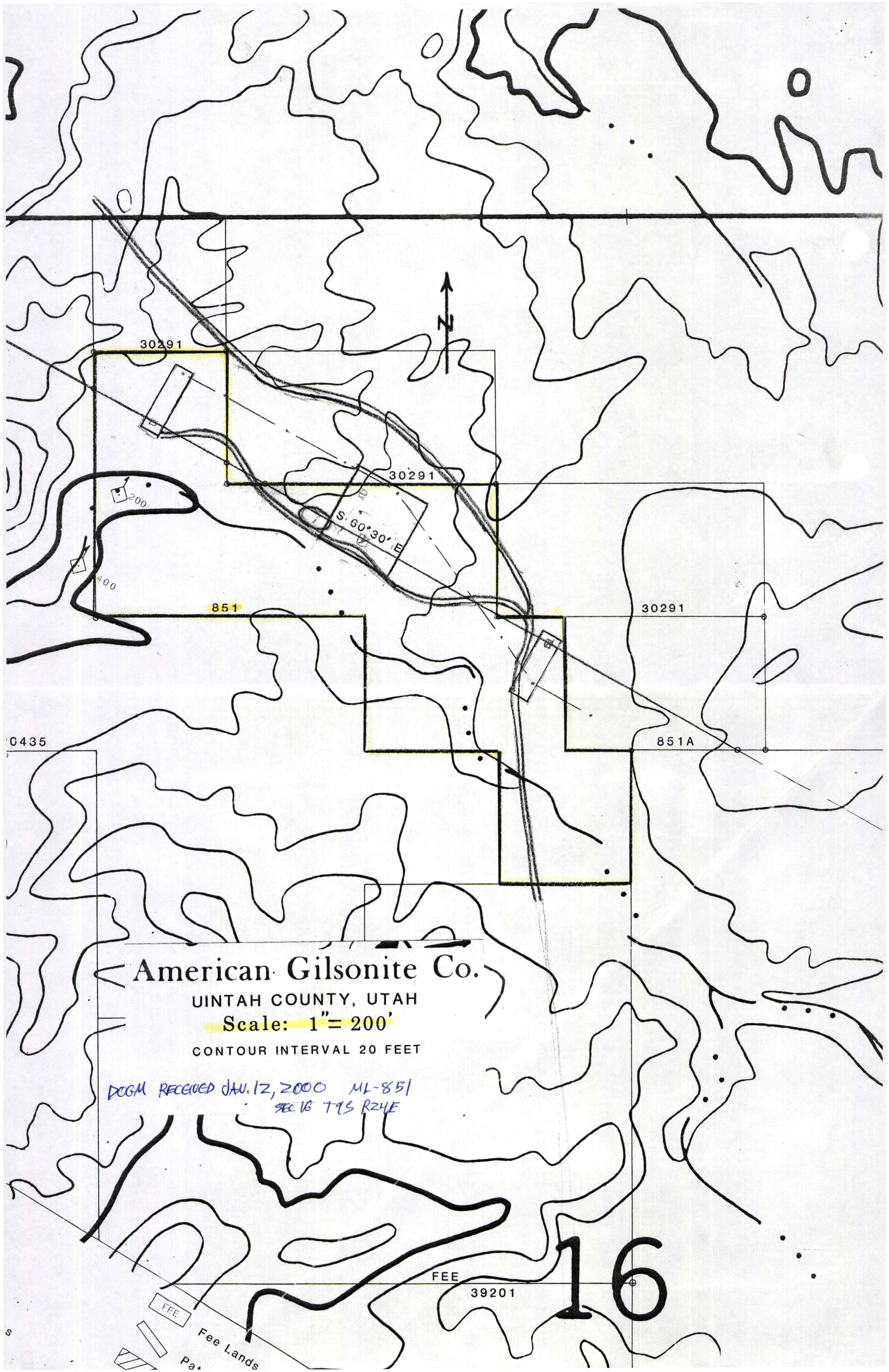
- C. Other lessees- SITLA has indicated their intent to lease the SE, NW, NE, NW, SEC 16, T9S, R24E to Ziegler Chemical and Mineral. About 100 feet of the vein cross this area. To date this issue has not been resolved with Ziegler Chemical and Mineral. The area is too small to be economically mined alone. Also if we are unable to mine across this area it may also preclude mining on the remaining 370

WASTE ROCK GOES WHERE?

2 X 0.207

feet of vein due to limited reserves. Our drilling indicates that the vein may only be minable below 400 feet and narrower than the vein on the rest of the lease. Reserves will probably not be sufficient to set up a separate mine on this section of the vein.

- D. A copy of this NOI will be submitted to UDOGM.
- E. Intermountain Archeologists have completed a cultural resource survey.
- F. A reclamation bond is currently in effect for the whole mining operation with UDOGM.



American Gilsonite Co.

UINTAH COUNTY, UTAH

Scale: 1" = 200'

CONTOUR INTERVAL 20 FEET

DOGM RECEIVED JAN. 12, 2000 ML-851
SEC 16 T9S R24E

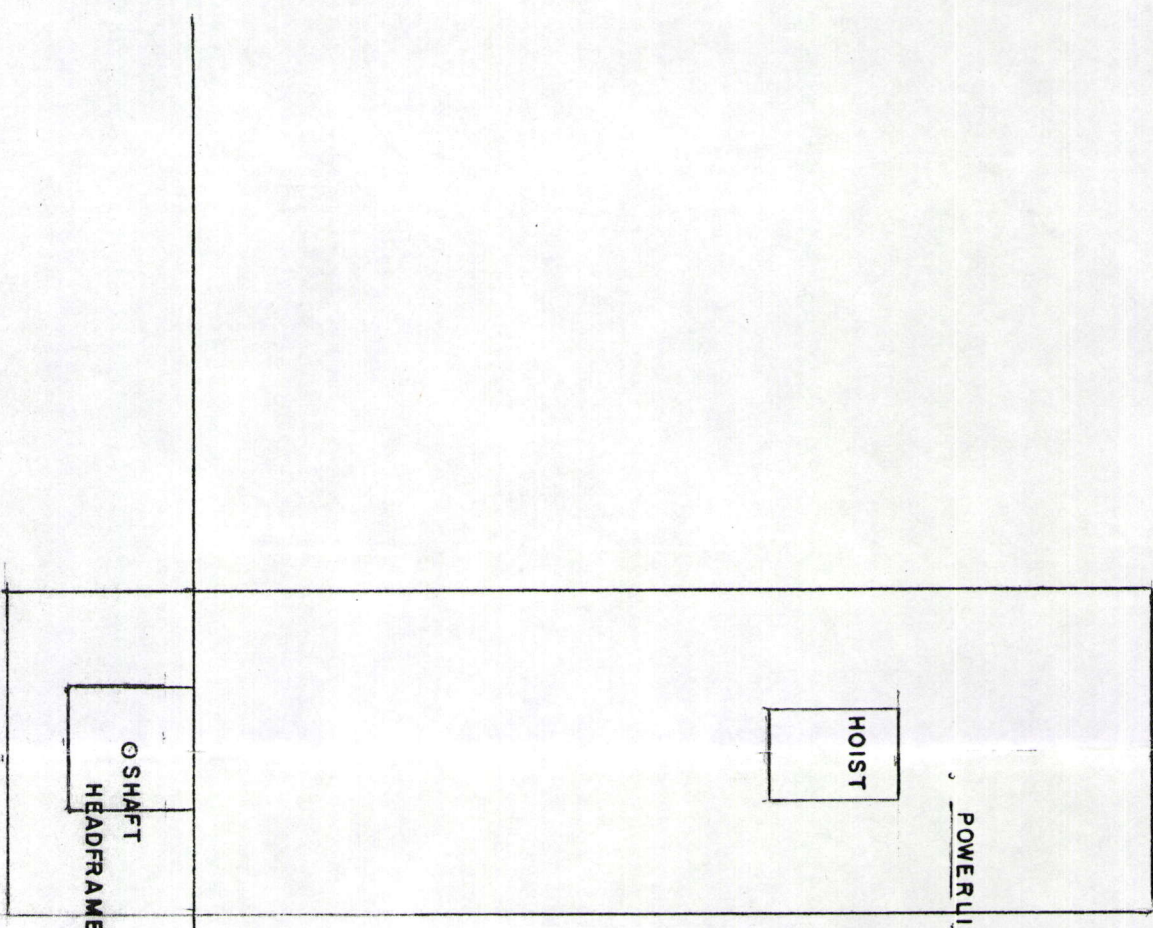
FEE
Fee Lands
Pa+

FEE

39201

16

A B C D E F G



REVISIONS	
◇	DR _____ CH. _____
◇	DR APP. _____
◇	ENGR. _____
◇	OPR'G. DEPT. _____
◇	ENGR'G. DEPT. _____

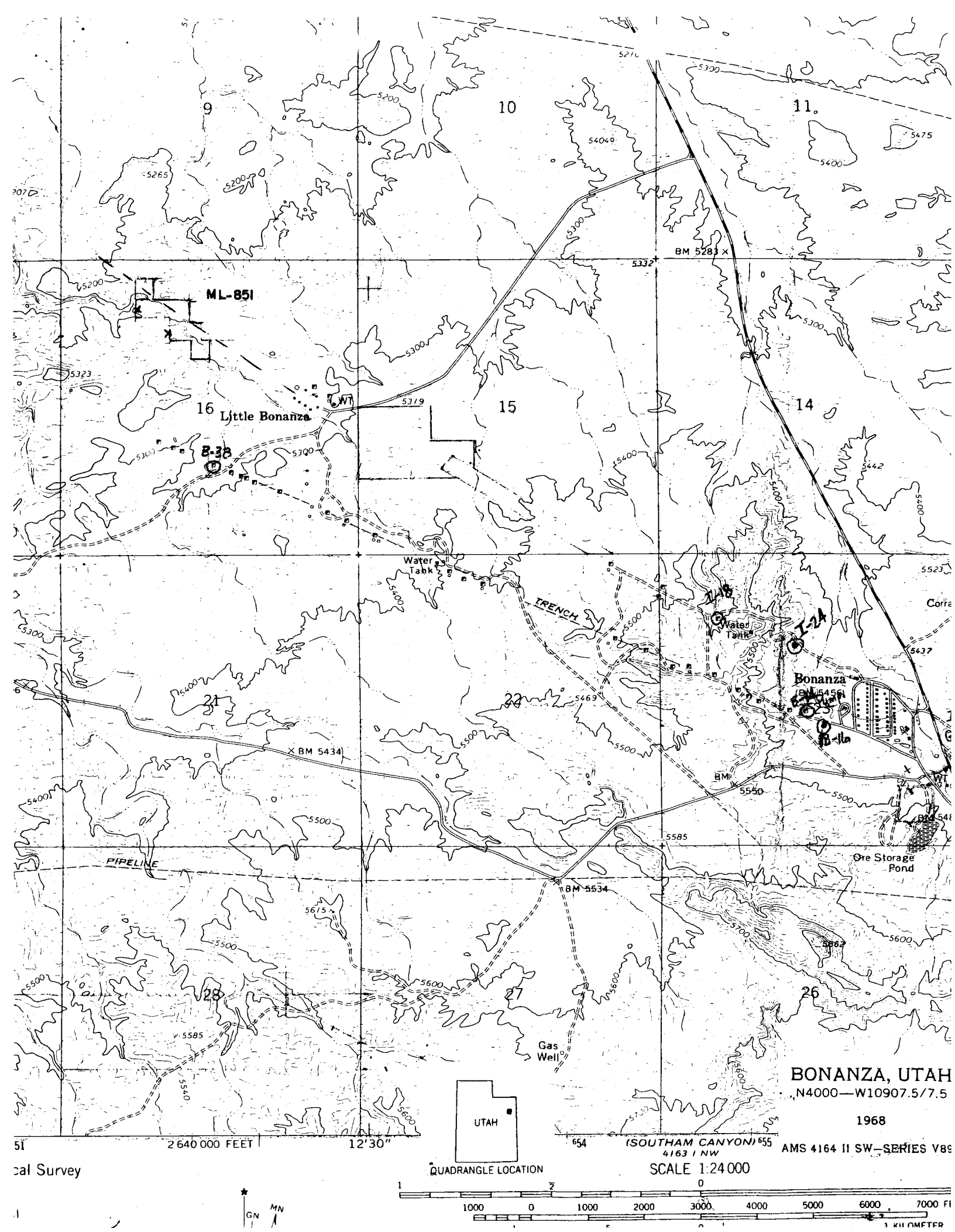
SCALE 1" = 30'

DATE _____

AMERICAN GILSONITE COMPANY
I-12 ESCAPEWAY SHAFTS (TYPICAL)

W.O. _____
S.O. _____

DOGM RECEIVED DATE 12, 2000



RECEIVED

JAN 17 2000

DIVISION OF OIL, GAS & MINING

COVER PAGE
Must Accompany All Project Reports
Submitted to Utah SHPO

Project Name: American Gilsonite Archaeological Survey in Bonanza, Utah
State Proj. No.: U-99-IQ-0401

Report Date: August 5, 1999 County(ies): Uintah

Principal Investigator: Mary C. Bernard

Acreage Surveyed

Intensive: 16.25 acres

Recon/Intuitive: acres

7.5' Series USGS Map Reference(s): Bonanza, Utah 1968

Sites reported	0	Counts	Smithsonian Site Numbers
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Archaeological Sites

Revisits (no inventory form update)	<u>0</u>	<u> </u>
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Revisits (updated IMACS site inventory form attached)	<u>0</u>	<u> </u>
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New recordings (IMACS site Inventory form attached)	<u>0</u>	<u> </u>
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Total Count of Archaeological Sites	<u>0</u>
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Historic Structures (USHS 106 site info form attached)	<u>0</u>
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Total National Register Eligible Sites	<u>0</u>
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Checklist for Required Items

1. X 1 Copy of the Final Report
2. X Copy of 7.5' Series USGS Map with Surveyed/Excavated Area Clearly Identified
3. Completed IMACS Site Inventory Forms, Including
 - Parts A and B or C,
 - the IMACS Encoding Form,
 - Site Sketch Map,
 - Photographs, and
 - Copy of the Appropriate 7.5' Series USGS Map w/ the Site Location Clearly Marked and Labeled w/ the Smithsonian Site Number
4. X Completed "Cover Sheet" Accompanying Final Report and Survey Materials

Abstract

InterMountain Archaeology Services completed a 16.25 acre archaeological survey of State land for American Gilsonite mineral development in Bonanza, Uintah County, Utah. All work was performed under Utah State Antiquities Permit No. U-99-Q, and Project Number, U-99-IQ-041, as assigned (Attachment A). Field work was completed on Tuesday, August 5, 1999. Gilsonite mining will involve exploratory drilling operations on state lands (Attachment B).

No archaeological contexts were found during the survey, although one isolated artifact was in the survey area. Given the absence of potentially significant historic properties, no effect to cultural remains is anticipated. It is recommended that the area described as the American Gilsonite Company proposed mine operation area be cleared for further development.

Project Identification and Location

This project was intended to fulfill the requirements of identifying, inventorying, and recording cultural resources within the proposed American Gilsonite mine undertaking in Bonanza, Uintah County, Utah. InterMountain Archaeology Services of Jensen, Utah was contracted to the archaeological assessment and provide management recommendations.

The project area is contained on 16.25 acres of State land in Zone 12, Township 9 South, Range 24 East, S.L.B.&M., Section 16 in [SW1/4, NW1/4, NE1/4, NW1/4], [N1/2, SW1/4, NE1/4, NW1/4], [NW1/4, SE1/4, NE1/4, NW1/4], [SW1/4, SE1/4, NE1/4, NW1/4], [W1/2, SE1/4, SE1/4, NE1/4, NW1/4], [NE1/4, NE1/4, NE1/4, NW1/4]. All lands, including the project area are depicted on the Bonanza, Utah 7.5' Series Topographic Quadrangle (1968) (Figure 1).

Project Setting - Environment

The survey area is northwest of Little Bonanza, eastern Uintah County, Utah with an average elevation of 5210 feet ASL over the project area. Ground visibility is obstructed with little topographic variability or vegetative cover and only a sparse cover of rabbitbrush (*Chrysothamnus* spp.), sagebrush (*Artemisia tridentata*), saltbush (*Atriplex* spp.), and prickly pear cactus is seen in the proposed drilling area. A seasonal stream bisects the project area, cutting the sandy surface into the sandstone bedrock. Otherwise a dry wash, the seasonal stream currently carries runoff from nearby drilling platforms outside the proposed development zone.

Mining activities came to this part of the Uintah Basin in the 1940s and replaced livestock grazing as a primary economic activity. Evidence of this is seen in ranch-related trash, particularly the scattered pieces of a later 40s period truck found in the streambed. Today, grazing animals in the eastern basin are mostly wild horses and antelope, and both seem adapted to the presence of the drilling operations. Mining activities involve limited land development, such as drill pads and access roads, where most of the apparent impacts have occurred outside the project area. Changes to the landscape within the project zone include the partial redirection of the stream and the placement of a metal conduit in the drainage. Other than that, the degree to which land development practices have shaped the project area are minimal.

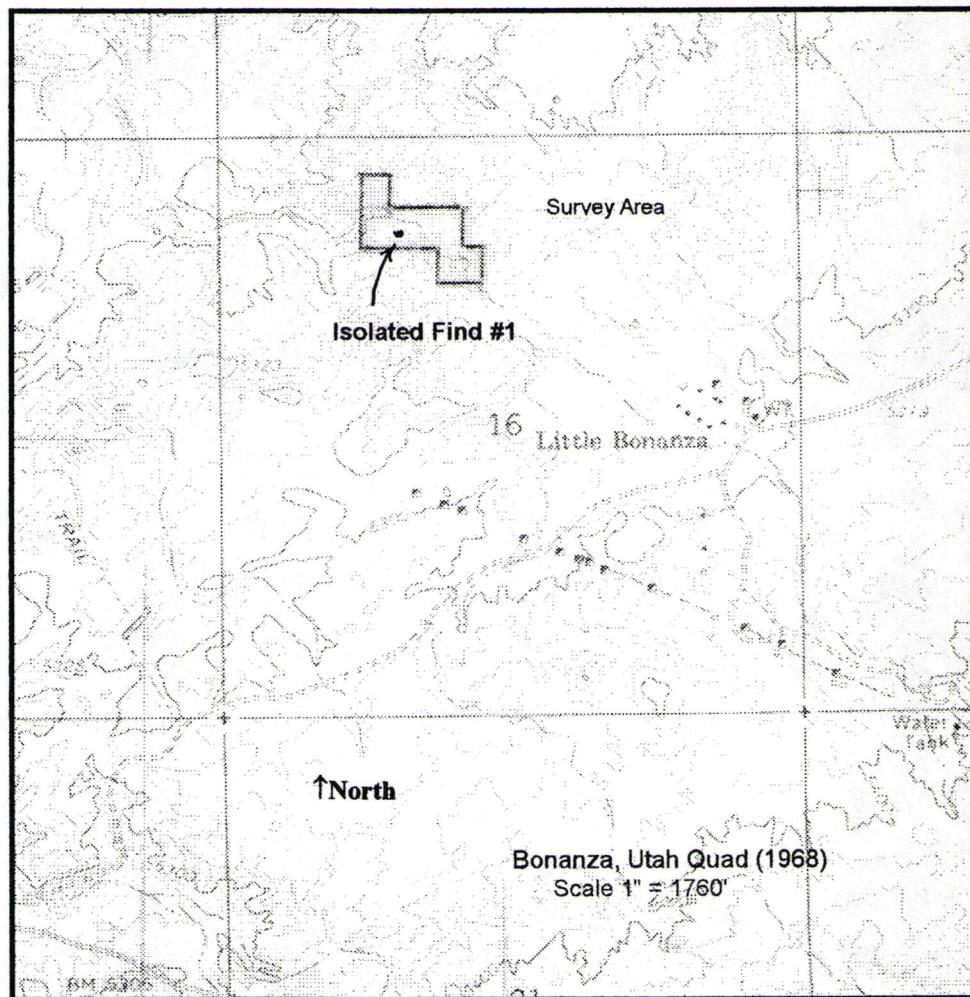


Figure 1. Bonanza, Utah 7.5' Topographic Series with location of project area and isolated find

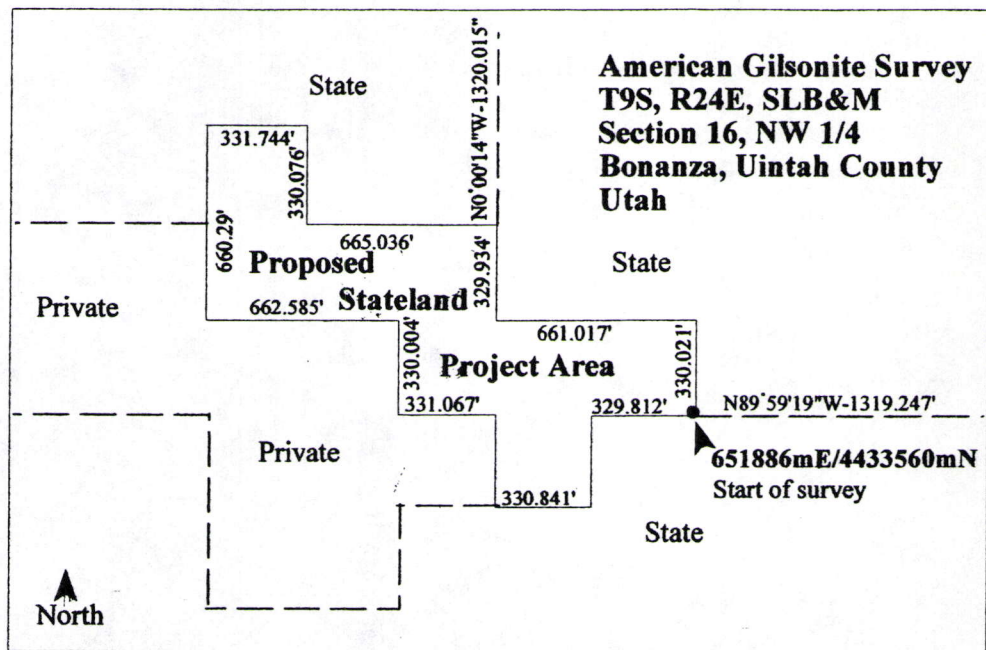


Figure 2. Configuration of the project area for the proposed American Gilsonite project.

Project Setting - Regional Research

InterMountain Archaeology Services conducted a Class I records check with the Division of State History, Utah State Historical Society, in Salt Lake City with Renae Weder, Archaeological Assistant (Appendix A) and the Vernal District Bureau of Land Management, with Blaine Phillips, Archaeologist, in order to document all previous cultural resource inventories in the current project area. None were found. The nearest surveys occurred either well beyond the current area (Thompson and Darlington 1995) or in the far flung portions of Sections 16 (Chandler and Nickens 1979). InterMountain also consulted with Martha Hayden of the Utah Geological Survey, Utah Department of Natural Resources, Salt Lake City, on the potential of paleontological resources within the project area. She noted that while no paleontological resources are known within the study area, fossilized turtle shell and bone are found elsewhere in the Uinta Formation of the region. This survey did not identify any paleontological resources.

Survey Procedures

Prior to beginning survey procedures, Miner Supervisor, Neldon Kunz, accompanied archaeologists to identify engineers' corner markers that outline the complex project area. Once accomplished the area was assessed by walking tightly spaced (10 m) transects to identify any sites or artifacts on the surface. Two archaeologists Mary C. Bernard and A. Wayne Prokopetz covered the entire project area in this manner. Systematic survey required one man day to provide complete coverage and resulted in finding one isolated artifact (see attached form and drawing) on the upper edge of the stream's south bank. This object is plotted on a 7.5' series topographic quadrangle using a Rockwell precision lightweight GPS receiver (PLGR+96, PBS) in real time accuracy (Figure 1).

Management Recommendations

The quality and significance in American history, architecture, engineering and culture is present in districts, sites, buildings, structures, and objects of State and local importance that possess integrity of location, design, setting, materials, workmanship, feeling and association and (a) that are associated with events that have made a significant contribution to the broad patterns of our history; or (b) that are associated with the lives of persons significant in our past; or c) that embody the distinctive characteristics of a type, period, or method of construction, or that represent the work of a master, or that possess high artistic values, or that represent a significant and distinctive entity whose component may lack individual distinction; or (d) that have yielded, or may be likely to yield, information important in prehistory or history.

No significant or potentially significant properties were identified in the Bonanza, Uintah County, Utah project area; however, if any historical or cultural properties are encountered during construction, the Division of State History, Utah State Historical Society will be notified. It is therefore recommended that the American Gilsonite mineral exploration project be cleared for development.

References

Chandler, Susan M., and Paul R. Nickens

1979 Archaeological Investigations of Two Power Plant and Water Pipeline Corridors for the Moon Lake Project, Rio Blanco County, Colorado and Uintah County, Utah. Ms on-file, Bureau of Land Management - Vernal District Office, Vernal.

Thompson, Kevin W., and David G. Darlington

1995 Questar Pipeline Company Bonanza Jumper Line. Documentation on-file, Bureau of Land Management - Vernal District Office, Vernal.



State of Utah

Department of Community and Economic Development
Division of State History
Utah State Historical Society



Michael O. Leavitt
Governor
Max J. Evans
Director

300 Rio Grande
Salt Lake City, Utah 84101-1182
(801) 533-3500 FAX: 533-3503 TDD: 533-3502
ushs@history.state.ut.us <http://history.utah.org>

ATTACHMENT A

August 4, 1999

Mary C. Bernard
InterMountain Archaeology Services
P O Box 87
Jensen, UT 84035

Permit # U-99-IQ-0401

In confirmation of your phone call the archaeological and historic maps, and site files and the National Register files at the Utah Division of State History have been checked for the sections that you identified.

Our records show no projects or archaeological sites within your project area.

The paleontological records have been moved to Utah Geological Survey and you can contact Martha Hayden at the 537-3311 for future searches.

The cost for the search is \$20.00, which will be billed at the end of the month. If you have any questions, please let me know.

Sincerely,

Renae Weder
Archaeological Assistant

ATTACHMENT B

GIL - MINERALS

Form dated July 23, 1984

PROOF READ TDW BP

MINERAL LEASE NO. _____

MINERAL LEASE APPLICATION NO. ML 851

GRANT: SCH

UTAH STATE LEASE FOR
GILSONITE
AMENDED

THIS UTAH STATE MINERAL LEASE AND AGREEMENT entered into and executed in duplicate as of the 15th day of July, 19 87, by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, with its offices located at 675 East 500 South, Suite 500, Salt Lake City, Utah 84102-2818, hereinafter called the "LESSOR," and

American Gilsonite Company
Suite 1460
136 East South Temple
Salt Lake City, UT 84111

(whether one or more individuals, corporation, or other entities) with business office or address as shown above, hereinafter called the "LESSEE,"

WITNESSETH:

That the State of Utah as Lessor, for and in consideration of the fees, rents, royalties, and any other financial consideration paid or required to be paid by Lessee, and the terms and conditions to be performed by Lessee as hereinafter set forth, does hereby GRANT AND LEASE to the Lessee the exclusive right and privilege to explore for, drill for, mine, remove, and dispose of the particular mineral described in Article I hereof, hereinafter called the "leased substances", situated within the boundaries of the following-described tract of land (extending vertically downward from the surface) in Uintah County, State of Utah, to-wit:

Township 9 South, Range 24 East, SLB&M.

Section 16: SW $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$,
W $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$

Containing 16.25 acres, more or less.

UTAH CULTURAL RESOURCE MANAGEMENT

ISOLATED ARTIFACT RECORD

1. Resource No. **U99IQ-0401S-1IF**

Temp. No. **Gilsonite - 1IF**

County **Uintah**

I. Location_____

4. Location **NE1/4, SW1/4, NE1/4, NW1/4** Sec. **16, T9S, R24E SLM**

5. USGS Quad: **Bonanza, Utah** Size: **7.5' Series** Date: **1968**

6. UTM: Zone **12,** **651709m E** **4433586m N**

II. Archaeological Data_____

7. Artifacts:

One secondary flake made of multicolored chert. There is some abrasion along the right lateral, although this may be more from use rather than redeposition. Still, there is no apparent retouch. This flake does have a prepared platform.

8. Inferred function/description:

No apparent function associated with this flake.

9. Cultural Affiliation: **Unknown**

Time period: **Prehistoric**

10. IF dimensions: **4.3 x 3.2 x 1cm (greatest dimensions)**

III. ENVIRONMENTAL DATA_____

11. Elevation: **5210 feet (average elev.) (1588m)** 12. Soil: **Sandy**

13. Topography: **Dune, rock** 14. Slope: **0-1 degrees**

15. Nearest water: **unnamed, seasonal** elev. **bisects survey zone**

Nearest permanent water: **White River** elev. **ca. 6 miles or 9.65 km southeast**

16. Vegetation on site: **Desert Scrub/Grassland and snakeweed** 17. Surrounding: **Sagebrush, saltbush, cacti, rabbitbrush**

IV. ADDITIONAL INFORMATION_____

**** see attached project map, isolated find map, and artifact drawing**

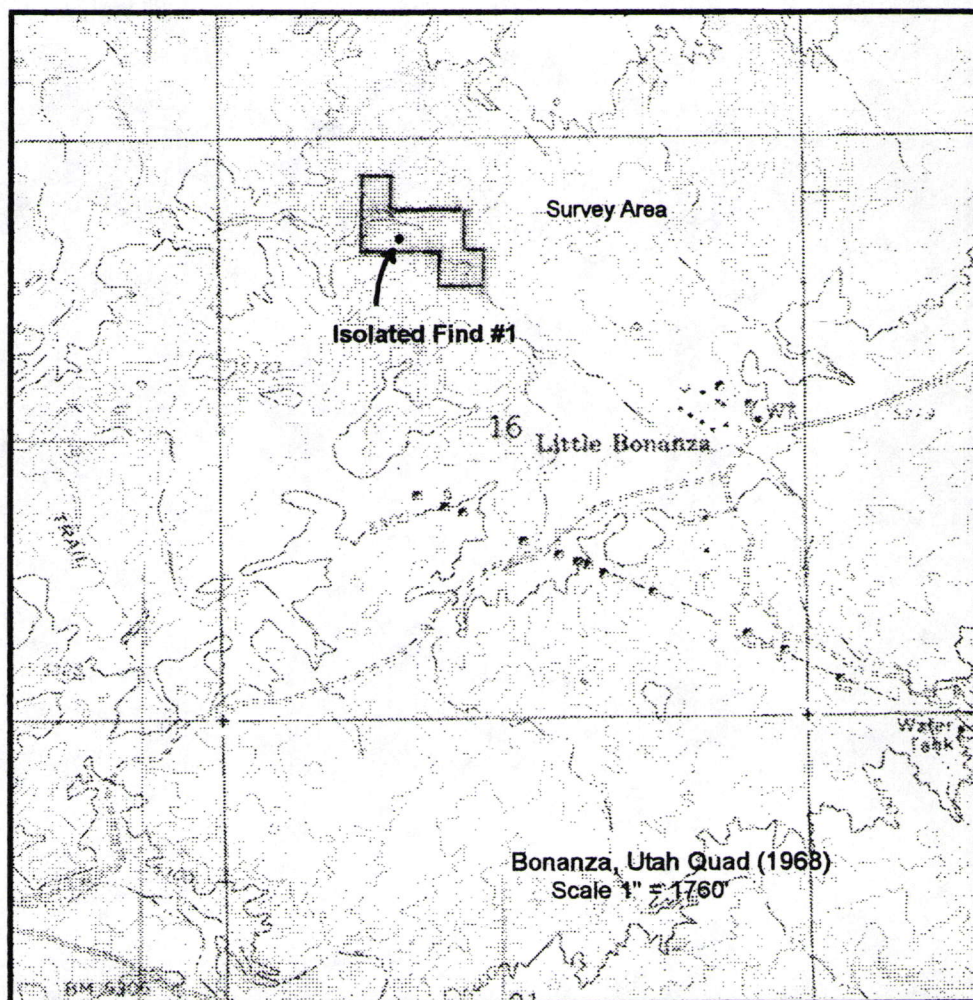
V. REFERENCE DATA_____

18. Collection: **no** 19. Repository: **N/A** 20. Landowner: **Department of the Interior, National Park Service**

21. Report Title: **American Gilsonite Archaeological Survey in Bonanza, Utah**

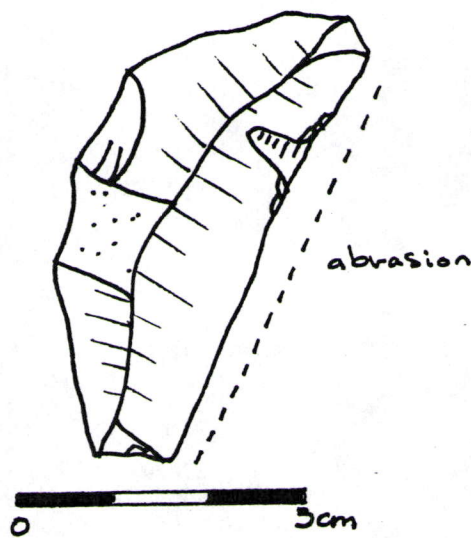
22. **Mary C. Bernard**
Utah 84035

23. Affiliation: **InterMountain Archaeology Services, P.O. Box 87, Jensen,**
24. Date: **August 1999**



Isolated Find #1 Location and Project Map in Bonanza, Uintah County, Utah.

AMERICAN GILSONITE ARCHAEOLOGICAL SURVEY IN BONANZA, UTAH
ISOLATED FIND NUMBER 1



FLAKE

- multicolored chert
- slight lateral abrasion
- possible use wear along abraded edge
 - 651709m E/ 4433586m N